

STAFF REPORT TO THE COMMISSION

March 7, 2005

SUBJECT: Assessment of various Utilities' Electric Reliability

SUMMARY:

This report presents Staff's assessments of the 2003 reliability reports and reliability performance of Commonwealth Edison (ComEd), Interstate Power and Light (IP&L), South Beloit Water, Gas, and Electric Company (SBWGE), MidAmerican Energy Company (MEC), and Mt. Carmel Public Utility Company (Mt. Carmel) and asks the Commission to accept or modify the assessment reports and file them with the Chief Clerk as required by Subsection 411.140(a) of Administrative Code Part 411. Staff's assessments are attached to this report.

BACKGROUND:

83 Illinois Administrative Code ("Code") Part 411 defines electric reliability requirements for Illinois electric utilities. Code Section 411.140(a) states "Beginning in the year 1999 and at least every three years thereafter, the Commission shall assess the annual report of each jurisdictional entity and evaluate its reliability performance." This section also defines key elements of the evaluation, stating, "The Commission evaluation shall:

- A) Assess the jurisdictional entity's historical performance relative to established reliability targets.
- B) Identify trends in the jurisdictional entity's reliability performance.
- C) Evaluate the jurisdictional entity's plan to maintain or improve reliability.
- D) Include specific identification, assessment, and recommendations pertaining to any potential reliability problems and risks that the Commission has identified as a result of its evaluation.
- E) Include a review of the jurisdictional entity's implementation of its plan for the previous reporting period."

On or about June 1, 2004, Commonwealth Edison, Interstate Power and Light, South Beloit Water, Gas, and Electric Company, MidAmerican Energy Company, and Mt. Carmel Public Utility Company filed their annual reliability reports for calendar year 2003 pursuant to Code Part 411.

To comply with Code Part 411, staff engineers reviewed the utility reliability reports for compliance with Code Part 411 and assessed the reports and reliability performance according to the criteria listed above and in Code Section 411.140. Staff also sent data requests to the utilities seeking additional information.

The Commission should be aware that the attached reports include information from the responses to Staff's data requests. Information from responses to Staff data requests is not public information. By releasing these reports, this information will become public. However, Commonwealth Edison, Interstate Power and Light, South Beloit Water, Gas, and Electric Company, MidAmerican Energy Company, and Mt. Carmel Public Utility Company have indicated that the information contained in these reports is not confidential and can be released to the public.

Staff also performed reliability reviews of the remaining Illinois electric utilities; AmerenCILCO, AmerenCIPS, AmerenIP, and AmerenUE. Staff is offering its assessments for those Ameren utilities in a separate report. Staff has not prepared formalized assessments of reliability performance for all electric utilities in the same year since our first assessments for the year 1998. Staff does not expect to prepare formal assessment reports for all the electric utilities every year.

Major Findings: Commonwealth Edison Company (ComEd)

The assessment of ComEd's 2003 reliability report and performance has two Staff recommendations.

The most serious recommendation concerns ComEd's tree trimming effort. Staff's field observations indicate that much potential remains for improvement in ComEd's vegetation management program. ComEd has claimed to be on a four-year tree trimming cycle since 2000. Staff will continue to monitor ComEd's tree trimming effort. ComEd should continue improving its vegetation management program.

The second recommendation is that ComEd should focus on improving its customer service. In each successive year since 2000, ComEd has shown significant improvement in customer satisfaction surveys and in 2003, ComEd for the first time had scores in the neighborhood of two or three other utilities.

Staff made no specific recommendation but is concerned about ComEd's transmission and distribution capital plus O&M declining spending pattern. The current declining expenditure pattern is reminiscent of the decline in power delivery infrastructure and maintenance in the 90's that contributed to the outages of 1999. Staff will continue to closely follow developments in this area.

Major Findings: Interstate Power & Light Company (IP&L)

The IP&L assessment has five Staff recommendations. The most serious three of these recommendations are that IP&L should more frequently inspect its distribution circuits, provide adequate funding for mid-year tree trimming, and that IP&L should review its current policy on when additional animal protection should be installed on a circuit.

Staff does not believe that IP&L's practice of inspecting its distribution lines only once every 10 years is adequate. Too much damage and deterioration can take place in 10 years. A shorter inspection cycle could locate problems and allow repairs before failing facilities cause service interruptions.

IP&L reported starting mid-cycle tree trimming activities in 2003/2004 but does not appear to be providing funds to allow an adequate level of mid-cycle trimming in years 2005 and 2006. IP&L should make certain that adequate funds are provided to maintain mid-cycle trimming in each year's budget.

IP&L should review its current policy on when animal protection is installed. IP&L classified approximately one-quarter of all the 2003 outages as being caused by animals. IP&L should continue to fund reliability projects that minimize the number of outages related to animals (24% of the total outages) but Staff also recommends IP&L consider a more proactive approach and add animal protection in areas of known animal activity instead of the current policy of installing protection when an outage occurs.

Major Findings: MidAmerican Energy Company (MEC)

Staff made five recommendations in its assessment of MEC's Reliability Report and reliability performance. The three most serious of these recommendations is that MEC should add mid-cycle hot spot tree trimming and at a minimum maintain the 2003 spending level for tree trimming, MEC should revise its use of tree trimming crews for line inspections, and MEC should focus additional attention on correcting the causes for multiple outages to customers.

MEC currently does not have a mid-cycle hot spot program to trim those trees that are growing into the conductors prior to the scheduled tree trimming. MEC is proposing to reduce the tree trimming budget for future years due to efficiencies and meeting its three tree trimming cycle schedule. For the circuits that Staff inspected in 2004, the reliability of the electric system would improve if MEC were to instigate mid-cycle trimming and maintain, at a minimum, the current level of funding for tree trimming.

MEC reported that its normal circuit inspection program of inspecting distribution circuits once every ten years is supplemented by having the tree trimming crews inspect circuits. Staff recommends that MEC should implement a shorter inspection cycle of

distribution circuits and not rely on tree trimming crews whose priority and expertise is trimming trees for circuit inspections.

Staff believes MEC should focus more attention on correcting those outage causes that are resulting in customers experiencing multiple outages. In 2003, MEC reported a much higher (worse) percentage of customers that experienced multiple outages than in previous years. Staff is concerned that MEC is not seriously addressing these multiple outages.

Major Findings: Mt. Carmel Public Utility Company (Mt. Carmel)

The Mt. Carmel assessment has five Staff recommendations. The two most serious of these recommendations is that Mt. Carmel should achieve and maintain a three-year tree trimming cycle and that Mt. Carmel should perform field inspections of all circuits on a regular basis.

Mt. Carmel should do whatever is necessary to achieve and maintain a three-year tree trimming cycle that is in compliance with NESC Rule 218 throughout its service territory. Mt. Carmel needs to assure that all trees near its lines throughout its service territory are trimmed such that there are no tree contacts with its energized primary conductors before it returns to trim them again. Staff believes that inadequate tree trimming is the biggest single risk to electric service reliability at Mt. Carmel Public Utility Company.

Mt. Carmel should perform field inspections of all circuits on a regular basis and correct the problems found which can significantly affect reliability or public safety.

Major Findings: South Beloit Water, Gas & Electric Company (SBWGE)

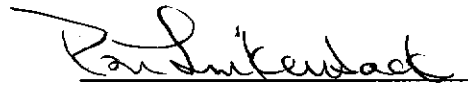
The assessment of SBWGE's 2003 Reliability Report and reliability performance has two Staff recommendations.

First, Staff was concerned and disappointed when it found that SBWGE had not taken action to correct two serious threats to reliable service that were discovered during Staff's inspection in August of 2003. SBWGE should promptly act to correct known problems on its distribution facilities.

Second, SBWGE should inspect its distribution circuits more frequently to find and correct threats to reliable service. Rather than once every ten years, Staff suggests that SBWGE inspect its circuits, at a minimum, approximately halfway through each tree trimming cycle. Staff also made this recommendation last year.

PROPOSAL:

Staff asks the Commission to accept or modify the attached Staff Reliability Assessment Reports of Commonwealth Edison, Interstate Power and Light, South Beloit Water, Gas, and Electric Company, MidAmerican Energy Company, and Mt. Carmel Public Utility Company and file them with the Chief Clerk.



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